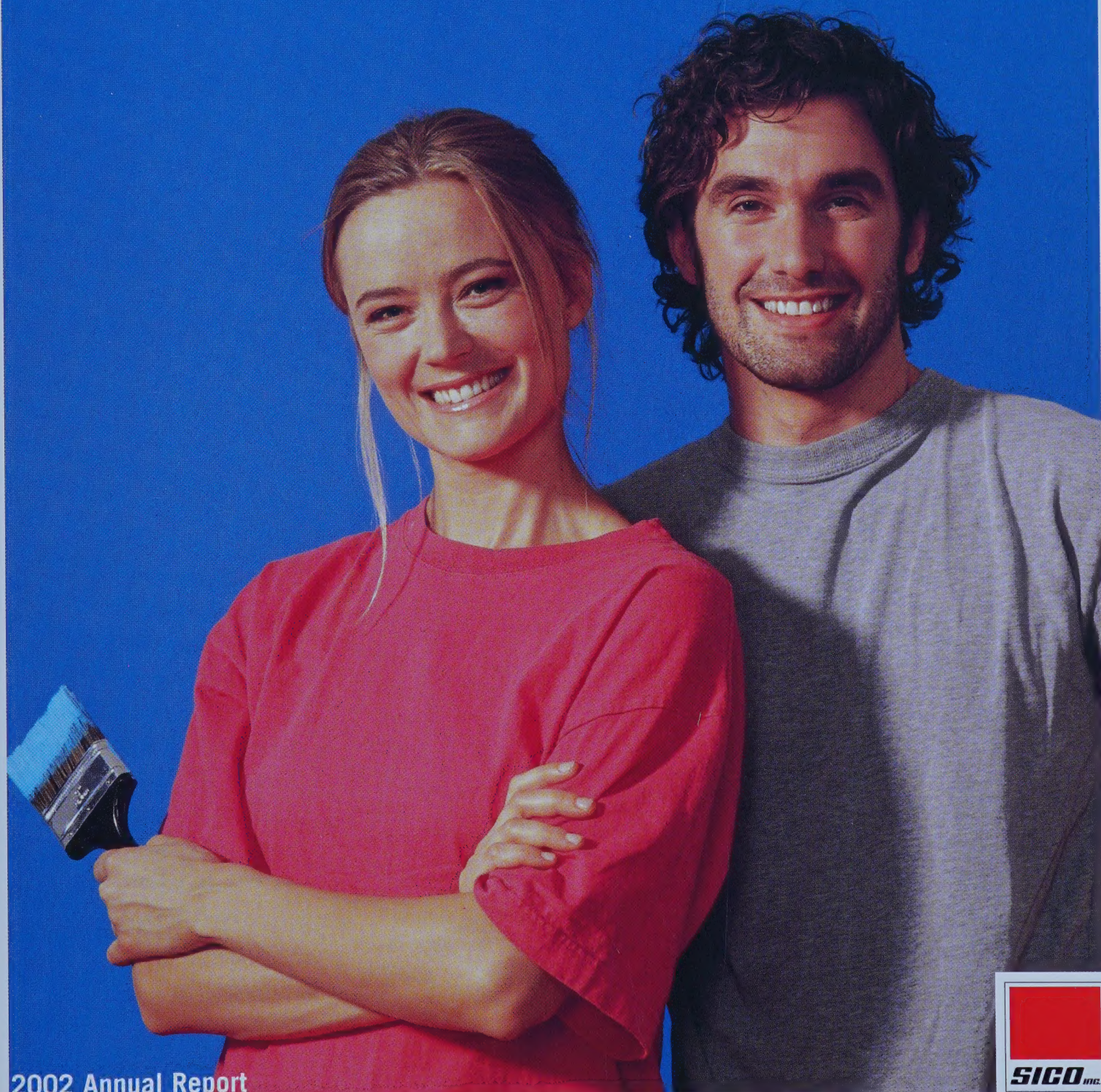


OUR EFFORTS SET THE TONE

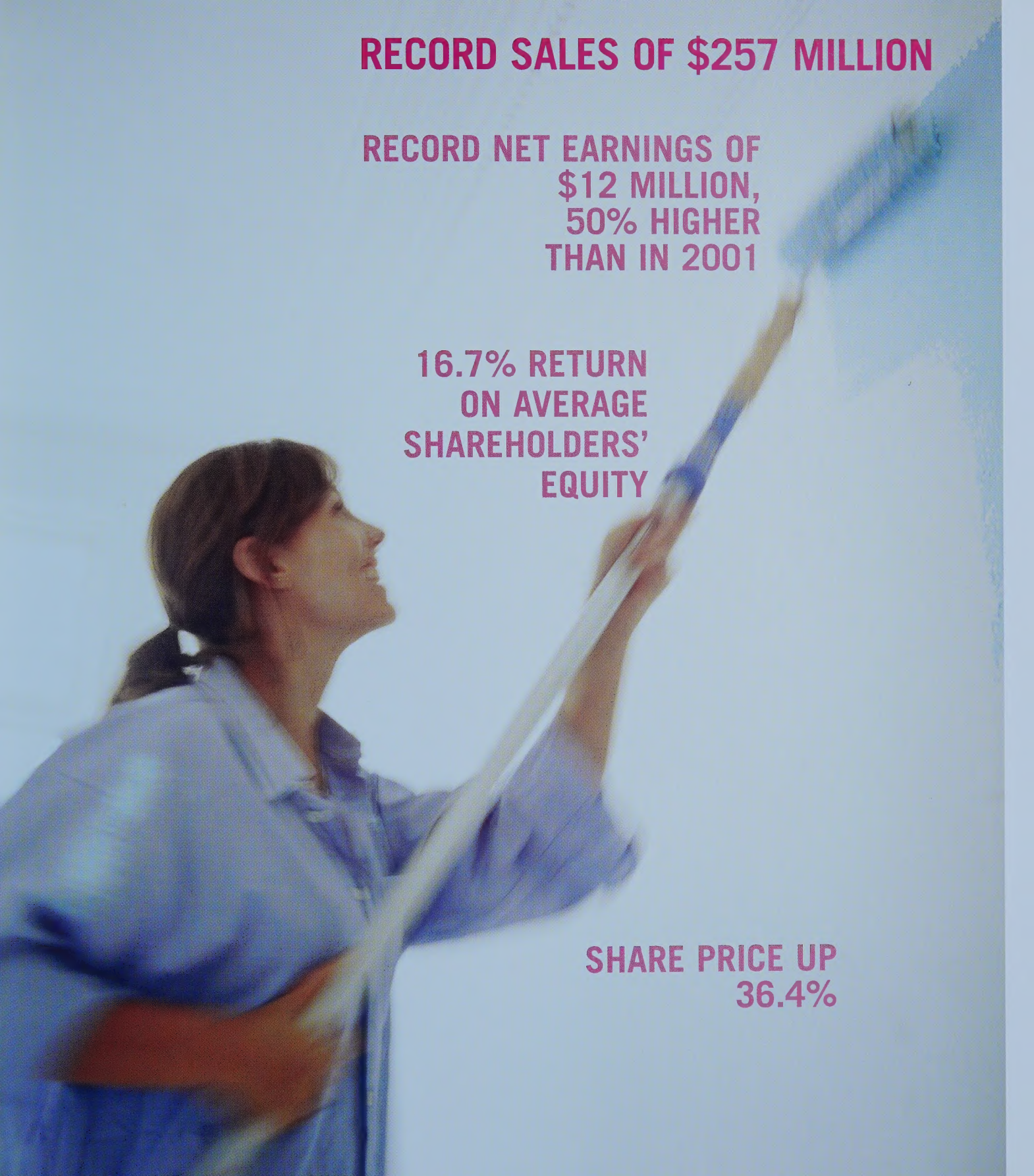


Financial Highlights

(in thousands of dollars, except per-share amounts and ratios)

Fiscal years ended the last Friday of December	2002	2001	2000	1999	1998
Sales	256,954	224,347	205,944	213,097	205,241
Operating earnings before depreciation, amortization, interest, share in results of affiliated companies and income taxes	23,286	22,145	19,873	22,655	16,321
Earnings before amortization of goodwill	12,028	8,748	7,967	9,297	6,397
Net earnings	12,028	8,018	7,726	9,056	6,156
Working capital	52,598	29,306	33,809	33,471	24,395
• current ratio	2.48:1	1.69:1	2.09:1	2.09:1	1.70:1
Fixed assets	39,181	40,408	38,820	32,173	34,876
Total assets	155,595	140,939	122,242	104,792	102,844
Long-term debt and current portion	38,023	25,702	30,196	15,000	15,044
Shareholders' equity	77,541	66,103	55,546	50,288	43,093
Total indebtedness net of cash	35,521	45,965	40,421	25,180	33,643
• total net indebtedness ratio	0.46:1	0.70:1	0.73:1	0.50:1	0.78:1
Weighted average number of common shares outstanding	5,604,338	5,183,676	5,127,799	5,132,676	5,108,385
Weighted average number of common shares outstanding on a diluted basis	5,793,576	5,407,711	5,279,776	5,444,254	5,397,768
Per common share:					
Earnings	2.15	1.55	1.51	1.76	1.21
Fully diluted earnings	2.08	1.48	1.46	1.66	1.14
Book value	13.54	12.18	10.91	9.80	8.43
Dividends	0.41	0.40	0.38	0.32	0.32
Net earnings as a % of sales	4.7%	3.6%	3.8%	4.2%	3.0%
Return on average shareholders' equity	16.7%	13.2%	14.6%	19.4%	15.1%
Return on average total assets	8.1%	6.1%	6.8%	8.7%	6.0%
Share price					
- high	23.50	17.00	21.80	21.50	19.00
- low	15.85	12.00	12.20	15.85	10.50
- close	22.50	16.50	12.80	19.10	17.75
Trading volume (in thousands)	2,424	539	1,022	1,896	1,296

Some prior-year figures have been restated in accordance with the accounting treatment adopted for the current year.

A woman with brown hair tied back, wearing a light blue button-down shirt, is shown from the side, reaching up with a paint roller to apply white paint to a wall. The background is a plain, light-colored wall.

RECORD SALES OF \$257 MILLION

**RECORD NET EARNINGS OF
\$12 MILLION,
50% HIGHER
THAN IN 2001**

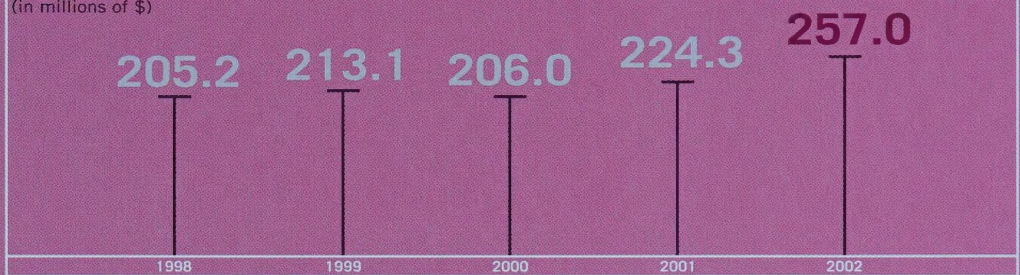
**16.7% RETURN
ON AVERAGE
SHAREHOLDERS'
EQUITY**

**SHARE PRICE UP
36.4%**

IN BUSINESS FOR 65 YEARS, SICO INC. is the second largest manufacturer of architectural paints in Canada and the leading Canadian-owned company in this sector. In addition, SICO markets metal coatings for the railway, aerospace and heavy transportation industries worldwide, as well as coatings for specialized equipment. Along with the quality and scope of its product range, SICO's strength lies in its extensive and diversified distribution networks, which include close to 2,000 points of sale across Canada in the architectural sector, and a presence in a dozen countries in the industrial coatings sector. A public company listed on the Toronto Stock Exchange (SIC / TSX), SICO employs approximately 900 people in Canada, the United States and Mexico.

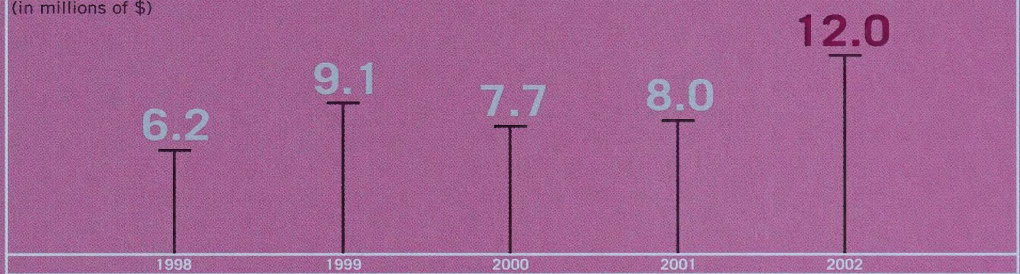
SALES

(in millions of \$)



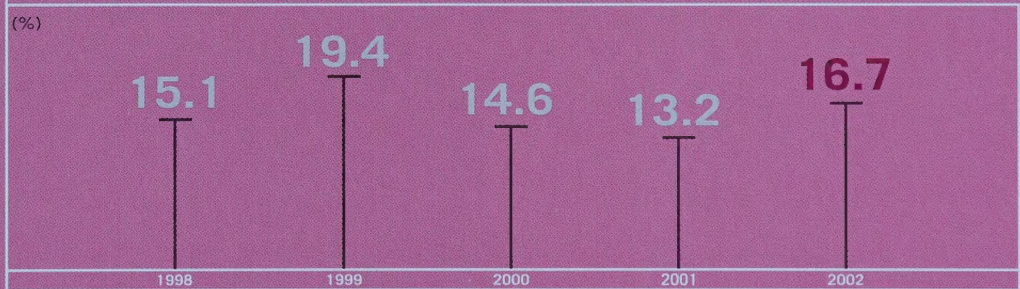
NET EARNINGS

(in millions of \$)



RETURN ON AVERAGE SHAREHOLDERS' EQUITY

(%)



VISION

INNOVATION

GROWTH

EFFICIENCY



ARCHITECTURAL SECTOR

- Booming residential construction and renovation market in Canada
- Solid growth in sales of national brand products to consumers and painting professionals
- Launch of innovative products, including the new *Chamois* premium paint
- Canada-wide expansion of the retail distribution network
- Significant contribution from Bétonel Ltée, and opening of eight additional points of sale

INDUSTRIAL SECTOR

- Major economic slowdown in the United States
- Recruitment of new customers in North America
- Ongoing development of the railway market in Europe
- Integration and broader marketing of *SICO* technologies and those acquired from *Chemcraft* and *Blancomme*

“In line with the preceding fiscal years, 2002 gave rise to key developments that will continue to drive SICO's growth in the coming years.”

Letter from the Chairman of the Board

SICO ended fiscal 2002 in style, delivering its best financial performance ever. Today, I am very pleased and proud to address not only the shareholders of the Company, but also our employees and customers who all contributed to this outstanding success. Buoyed by the astute acquisitions made in 2000 and 2001 and by the success of its marketing strategies, the Company saw its sales increase by 14.5%, while net earnings soared 50% to reach a record level of \$12.0 million or \$2.15 per share. This translates into a 16.7% return on average shareholders' equity.

This performance is indicative of the momentum that will continue to drive SICO's growth in years to come. It is the product of the focused efforts of an organization that, under the leadership of Pierre Brodeur since 1997, has adopted a clear vision, specific objectives and appropriate strategies for attaining them. In addition to a dynamic business acquisitions program, SICO has breathed new life into its internal development by building on its three pillars of success: technological innovation, leadership in the marketplace, and sound operational and financial management.

Meanwhile, SICO has increasingly provided shareholders with growth and stability regardless of market fluctuations, as its performance over the past five years has shown. Since 1997, our sales have grown at an annual compound rate of 5.7%, while net earnings have increased by more than 16% per year as profit

margins steadily improved. During the same period, SICO has consistently provided an appreciable return on shareholders' equity, averaging 15.9%. It seems that investors recognize SICO's sound fundamentals and potential as a dependable generator of economic value, considering that our stock price has increased by 36.4% since December 2001, and by 77.0% over the past two years.

Along with its 65-year tradition of quality and innovation in the world of paint, SICO has many other major assets that will continue to enhance the Company's core value: sound financial health, an excellent management team, and a market position strengthened by recent acquisitions, technological development and bold marketing strategies.

SICO begins the new fiscal year with a solid foundation and firm control of its levers of growth. As part of the succession plan put in place in December 2001, it is planned that Mr. Pierre Dufresne will be appointed President and Chief Executive Officer to replace Mr. Pierre Brodeur, who will step down as President in 2003 after six extremely constructive years at the helm of the Company. Since 1996, Pierre Dufresne has acquired broad and diverse experience among the executive ranks of SICO,



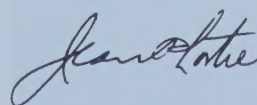
having successively held the positions of Vice-President, Finance, Vice-President, Sales and Marketing for the retail market, and Executive Vice-President of SICO, in addition to which he was appointed Chief Operating Officer in the fall of 2002. Since then, Pierre Dufresne has shouldered the responsibility for all current operations, while assisting Pierre Brodeur in the Company's strategic management, including its acquisitions program.

Concurrent with the appointment of Pierre Dufresne as Chief Operating Officer and Executive Vice-President, Mr. Claude Brosseau was promoted to the position of Vice-President, Sales and Marketing for the architectural sector. Mr. Brosseau has held various management positions within the architectural sector since joining SICO in 1991. He is now responsible for sales and marketing of all SICO architectural coatings sold in Canada, to both the retail and professional sales markets.

The evolution of SICO's management team has also entailed some other changes. In January 2003, Mr. Denis Blanchette, formerly Vice-President and General Manager of the industrial sector, was appointed SICO's Vice-President, Corporate Business Development, and President of Sico-Becker S.A.S. In this capacity, he will draw on his expertise in business acquisitions by assuming responsibility for our acquisitions program in both the architectural and the industrial sectors. He will also continue to head our European joint venture, Sico-Becker, which is committed to becoming a leading coatings supplier for the railway industry in Europe and Asia. Also in January 2003, Mr. Yves Gosselin, who is SICO's Vice-President, Operations, took on

the added responsibility of Vice-President and General Manager of the industrial sector for the Americas. Since 1994, Yves Gosselin has played a key role in improving productivity, profitability and the quality of products and services in the architectural sector. He will now put this talent to good use in the industrial sector, with the goal of maximizing the operational synergies between our two main businesses and thereby allowing SICO to gain an even stronger position in the high-growth transportation market.

Each of the above people has the full confidence and support of the Board of Directors in the performance of their new duties. On behalf of my fellow Directors, I would also like to congratulate Pierre Brodeur for his outstanding contribution to the growth and financial success of our Company, and to thank him in advance for the support he will continue to provide to SICO by remaining an influential member of the Board of Directors.



JEAN-PAUL LORTIE

Chairman of the Board

March 2003

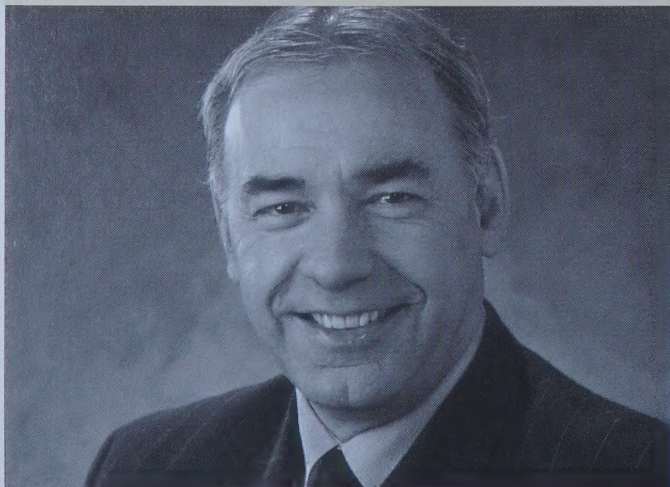
Message from the President and Chief Executive Officer

Fiscal 2002 was an excellent year for SICO, as the Company achieved or surpassed all of its key commercial and financial objectives. Although economic conditions were more difficult than expected in the industrial market, the past fiscal year was highlighted by decisive advances for SICO's positioning in its main business, the Canadian architectural paint market. Bétonel's contribution, the significant growth of our SICO brand, the launch of distinctive new products, and the Canada-wide expansion of our distribution networks are all accomplishments that have brought us closer to our goal of becoming the leading Canadian architectural paint company.

On the one hand, the acquisition of Bétonel, completed in September 2001, has more than lived up to our expectations. By keeping this subsidiary as a distinct business unit with its own personality, we have gained the full benefit of its entrepreneurial culture while achieving major synergies in the areas of procurement and finance. Since joining the SICO family, Bétonel has opened eight additional points of sale and greatly improved its profitability, making a significant contribution to SICO's sales and profit growth. The Bétonel acquisition has also enhanced our market positioning and the quality of our service to painting professionals, a high-growth segment of the architectural paint market where SICO is gradually expanding its presence by capitalizing on its high-quality products, great expertise and extensive distribution networks.

On the other hand, our sales and marketing teams were successful in harnessing the boom in the residential construction and renovation industry to promote the *SICO* brand and to penetrate new markets. In fact, our national brand products performed remarkably well in 2002, which largely compensated for the decreasing sales of private label products experienced with some major retail customers. Together with good procurement conditions and higher overall productivity in the architectural sector, the greater proportion of national brand products in our sales mix contributed to a significant increase in our profit margins.

One of the highlights of fiscal 2002 was the introduction of *Chamois*, the latest in our line of design paints. *Chamois* has not only met with remarkable success across Canada, but it also helped to reinforce the positioning of its complementary product, *Cashmere*. As well, throughout the year we strengthened ties with our existing partners and acquired a number of new customers. Advances on this front included an increased presence in major retail chains in Quebec, the Atlantic provinces and Ontario, where we are also actively developing the specialty paint store segment. In November 2002, we made an impor-



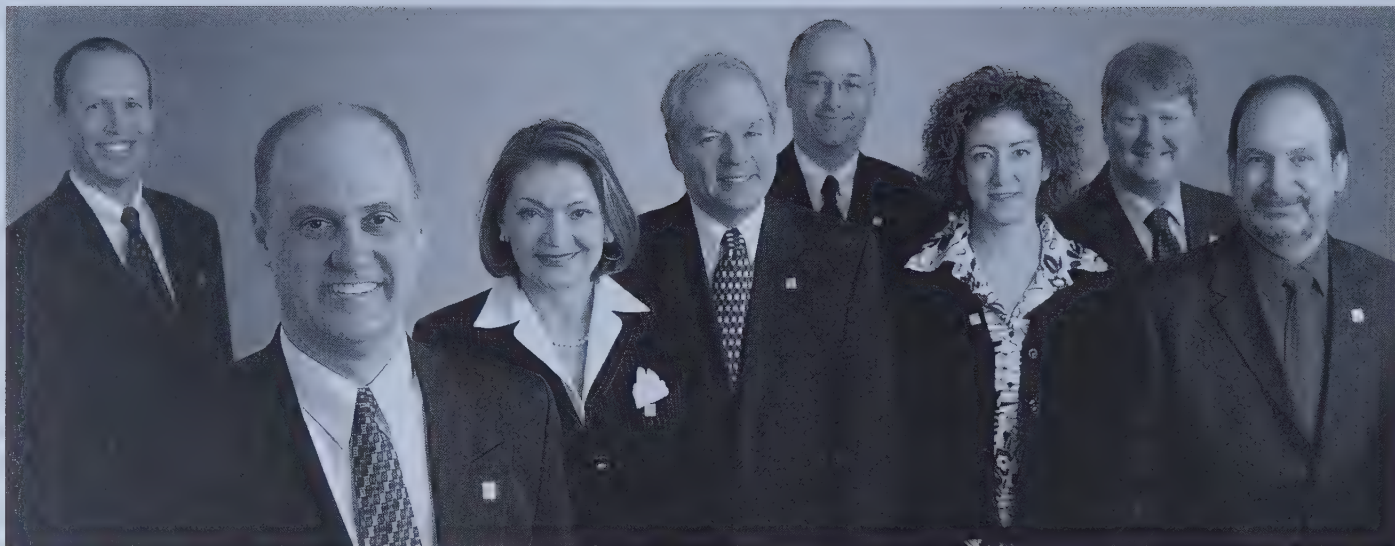
tant breakthrough in Western Canada when we concluded a distribution agreement to supply *SICO* brand products and *RONA* private label paint to the 39 outlets of the *RONA REVY* chain. This major development will be one of our main sources of internal growth in 2003.

In December 2002, we disposed of our chain of 12 stores operating under the Hancock banner in the Boston area. Acquired by *SICO* in 1994, the Hancock chain no longer fitted in the strategic direction we took in 2000, the two basic objectives of which are to position *SICO* as Canada's largest architectural paint company and a world-class supplier of metal coatings for the transportation industry. By allowing us to better focus our resources on achieving these two objectives, the disposal of Hancock will benefit *SICO*, both strategically and financially.

The only financial objectives we did not achieve in 2002 were those of Hancock and our industrial sector, primarily because the U.S. economic recovery we were expecting in the second half of the year still has not materialized. Market conditions have remained particularly difficult for North American specialized equipment manufacturers. The economic slowdown

prevailing since the summer of 2001 has so far prevented us from realizing the full value of the assets acquired in December 2000 from Chemcraft International, Inc. However, we have expanded our industrial customer base in North America, ensuring ourselves a stronger market position when the recovery does materialize. We are also satisfied with the progress of our subsidiary Pinturas Industriales Sicorel S.A. de C.V. in the Mexican public transit and farm machinery markets, as well as with the promising inroads made last year by our European joint venture, Sico-Becker, notably in China, Spain and the United Kingdom.

Furthermore, by integrating *SICO*'s own technologies with those acquired from Chemcraft and Blancomme, we have been able to put together an excellent portfolio of environmentally friendly, high-performance products, which we are now in a position to offer to all of our international customers.



From left to right: Yves Gosselin, Pierre Dufresne, Marie Letellier, Denis Blanchette, Claude Brosseau, Martine Bazinet, Daniel Pellerin, Jean Ouellet

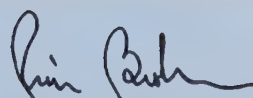
In the face of continuing economic uncertainty, our industrial sector will be making operational efficiency and profitability its central priorities in 2003. Therefore, we have restructured this sector to provide for more focused market development efforts, especially in the railway industry in Europe and Asia, and more consistent business processes. In both North America and Europe, we will strive to reduce operating costs and improve service quality and flexibility. These are basic conditions for SICO's success in this market, which is subject not only to exacting customer requirements, but also to the pressures of global competition.

In fiscal 2003, besides the expected improvement in our industrial sector's performance, we will bank upon favourable economic conditions for the Canadian architectural paint industry and SICO's ongoing internal development to further increase the Company's value.

Firstly, we intend to stay at the forefront of our industry's consolidation by acquiring companies and technologies that meet our performance and compatibility criteria, primarily in the Canadian architectural paint sector and the U.S. industrial coatings sector. Secondly, the developments achieved in 2002 — our expansion in Western Canada, in particular — will fuel our internal growth. While supporting Bétonel's dynamic expansion plan, we will keep introducing distinctive new architectural and industrial products, and developing effective marketing strategies, as well as mutually beneficial partnership relations with our major retail, institutional and industrial customers.

We expect 2003 to bring its share of challenges as well, including higher prices for some raw materials, such as oil-based products and titanium dioxide. As in the past, we will meet these challenges by raising our selling prices, market conditions permitting, and by continually improving our purchasing practices, product formulations and the Company's overall productivity. For instance, we recently began to consolidate our warehousing operations in order to reduce distribution costs. Finally, we will introduce a number of organizational improvements, especially in the area of communications, to provide our employees with the means to implement the leadership values and desire for excellence typical of the kind of world-class company SICO is resolved to become.

In conclusion, I would like to congratulate my colleagues Pierre Dufresne, Claude Brosseau, Denis Blanchette and Yves Gosselin for their recent appointments and to wish them all the best in the performance of their new duties. I would also like to thank all the other members of SICO's management, along with each and every employee, for their excellent work and team spirit. They are the reason why SICO will continue to grow in future decades... with vision, innovation and efficiency.



PIERRE BRODEUR

President and Chief Executive Officer

March 2003



ARCHITECTURAL SECTOR

Economic conditions have been highly favourable to the Canadian architectural paint industry for over a year. The buoyancy of the real estate market, especially sales of existing houses, and the growing popularity of investing in the family home are contributing to strong growth in renovation spending, the main driver of paint sales. In fact, statistics available for the first nine months of 2002 show that the Canadian architectural paint industry recorded growth of about 6%, its strongest in years. For its part, SICO's architectural sector posted a sales increase of close to 19% in 2002, under the combined effects of the Bétonel acquisition and solid internal growth.

Estimated at about 20% — just a few points behind the industry leader — our share of Canada's architectural paint market is growing steadily. While our coast-to-coast distribution network provides one indication of our strength in the marketplace, this strength can also be measured in terms of market depth. In fact, SICO has a presence in all the major existing channels, reaching both consumers and painting professionals through renovation centres and superstores, department stores, and specialty paint stores, of which Bétonel operates the largest chain in Quebec. Millions of Canadian consumers have access to the products based on *SICO* and *Bétonel* technologies.



Active in this market for over 65 years, SICO also offers one of the most comprehensive lines of paints, stains, varnishes, caulking and related products, which are recognized for their high performance and quality. Beyond the home maintenance and renovation markets, our products and expertise also extend to industrial, commercial and institutional buildings. This market segment is served by a specialized team offering a selection of high-quality products including, for example, a complete concrete protection system and a range of value-added coating technologies designed for special or critical environments. In this fast-growing segment, SICO has built a strong track record as a supplier for major construction projects for a growing list of customers. In 2002, we supplied paint for a number of projects, such as the new terminal at Montreal Airport (*our photo*), the Toyota plant in Cambridge, Ontario, food-processing or retailing facilities, hospitals, schools, apartment and office towers, and several other large-scale buildings.

Fiscal 2002 was a year of growth, differentiation, and dynamic promotion of our national brands in both the retail market — served mainly through retail stores — and the professional painting and non-residential building markets.

ARCHITECTURAL SECTOR

SICO brought three main innovations to Canadian retailers last year, starting in February 2002 with the launch of our new *Chamois* premium paint. This revolutionary paint, based on a technology as unique as *Cashmere*, has been specially formulated for surfaces exposed to high humidity or grime, such as bathrooms, kitchens, halls, doors and trims. *Chamois* stands up to repeated washing and resists mildew. Its slightly glossy designer finish is fast becoming a new interior decorating standard. The launch of *Chamois* was supported with a major advertising campaign in Canadian magazines, as well as a billboard campaign in Quebec. Not only has its success equalled that of *Cashmere*, but *Chamois*'s introduction as a complementary product further reinforced *Cashmere*'s market positioning. Other equally innovative products could be added to our design line in coming years. Meanwhile, we have simplified, improved and relaunched our family of interior wood stains and varnishes. Already recognized for their performance, these products were rounded out with a number of new ones and have been brought together under the *Maxithane* (solvent-based) and *Crystalex* (water-based) brands. The two lines have been given new packaging bearing SICO's technological endorsement and seal of excellence. An effective marketing and promotional campaign was run to support this repositioning. Also reaching the market in 2002 was Mulco's *ZIP*

Seal'n Peel, a high-performance, environmentally friendly solvent-based caulking using a natural extract of oranges as a substitute for petroleum products.

The vast majority of our architectural products for the retail market benefited from increased promotional and marketing efforts to showcase the *SICO* brand. A series of promotional events were organized around the Company's 65th anniversary, including a television campaign in English Canada that had a significant impact on SICO's national visibility and brand awareness. As another means of differentiation, for the past several years SICO has been offering training programs for its retail customers. Now available across Canada, this initiative is so distinctive that it is currently the subject of a study by the *Hautes Études Commerciales* (HEC), an affiliate of the University of Montreal.

The year 2002 was also very constructive for Bétonel. In addition to introducing new products, it focused on expanding its distribution network and improving brand awareness.

This integrated manufacturer and distributor of paint and related products opened eight new outlets last year: two corporate stores and six authorized dealers. Its network now consists of 76 sales





Pierre-Luc Dubé, "Branch Manager of the Year", Bétonel's St-Hubert Branch

and service centres — 35 corporate outlets, seven franchises and 34 authorized dealers — serving all the main regions of Quebec as well as Ottawa. In addition, Bétonel has initiated an investment program to modernize and standardize the image of its distribution network, while also improving its merchandising. Finally, a TV campaign was launched in 2002, to be followed by another in 2003, highlighting the professional service and high-quality products found exclusively in Bétonel stores.

Targeting mainly the building construction, renovation and maintenance markets, Bétonel stores differentiate themselves as service centres for painting professionals and consumers. To this effect, the company has developed a wide range of training programs to enhance employees' knowledge of the world of paint and customer service. These programs cover all aspects of the business, including product familiarization, strategic selling, customer service standards and information systems. Supported by an effective brand image campaign, these efforts are paying off, as reflected by the steady increase in brand awareness and positive perception in regular consumer surveys. Consumers are espe-

cially attracted by the variety and quality of Bétonel's product selection, the expertise of the sales staff, its promotional activities including flyers, and its competitive prices.

Bétonel will be pursuing a number of initiatives to maintain its growth rate in coming years. Its primary objectives for the short and medium term are to increase its market share by opening additional points of sale, develop new markets and enhance brand awareness. Above all, Bétonel will continue to consolidate its market position by offering reliable, quality products that meet customer needs at competitive prices, available at all times in all Bétonel outlets, and supported by outstanding service.

Review of Operations



INDUSTRIAL SECTOR

Since 1965, SICO has been specializing in the development and marketing of high-performance industrial coatings that meet customer requirements. While taking a global stance in the industrial sector, we adopted a niche strategy focusing on metal coatings for the railway, aerospace and heavy transportation industries, as well as for specialized equipment such as farm, logging and construction machinery. To serve its worldwide clientele, SICO's industrial sector is strategically located in Canada, the United States, Mexico and Europe.

In this specific market, SICO aims at differentiating itself through a total concept based on two major elements: state-of-the-art technologies and outstanding technical support. Years of in-house R&D, combined with the acquisition of Chemcraft technologies in 2000 and of Blancomme in 2001, have provided SICO with a wide range of high-performance coatings that meet the most stringent environmental standards, being isocyanate-free and low in volatile organic compounds. Given the broad range of complementary technologies at our disposal, we can satisfy the distinct needs and requirements of the North American and European markets. To strengthen this competitive advantage, in 2002 SICO undertook to sharpen the focus of its technology-related marketing, R&D and procurement activities.

While technological leadership is an undeniable advantage in our market segment, SICO decided to add value to its products by building commercial and technological partnerships with its customers and their subcontractors, who incorporate our coatings into their manufacturing processes. In addition to having our products approved by all the stakeholders involved, our technical department excels in after-sales service, assisting our partners with every phase of the process, to ensure not only that optimum product quality is achieved, but that deadlines and budgets are met.

In 2002, although the economic slowdown seriously affected our North American customers in most of our market niches, we recruited a number of new customers in the United States and Mexico, primarily in the specialized machinery sector, which will represent an important source of internal growth for our North American operations in the years to come. Moreover, we reinforced our position in the Canadian aerospace industry by becoming the preferred supplier of Canada's Department of National Defense for a four-year period. Consequently, our *Acrythane Aviation* products will be used in all refurbishment workshops across Canada, both for periodic maintenance and for complete painting of aircrafts. Public transit is another growth area that we are actively developing, notably in Mexico where we are currently involved in major projects, while others should be launched in the near future.

In Europe, the first half of fiscal 2002 was devoted to integrating the operations of Blancomme, acquired by Sico-Becker during the previous year. Once this was accomplished, our joint venture accelerated its growth within the railway market, especially outside of France. In addition to gaining a foothold in the United Kingdom, we are increasingly active in Spain, and have established representation in some Eastern European countries. In partnership with one of our major customers, we are also pursuing activities in China, by far the world's largest railway market in terms of ridership and kilometres of track.

Management's Discussion and Analysis of Operating Results and Financial Position

Prior Comments

This management discussion and analysis of the Company's operating results and changes in financial position for the fiscal years ended December 27, 2002, and December 28, 2001, as well as its financial position at those dates, should be read in conjunction with the consolidated financial statements and notes thereto presented in this annual report. Some sections of this analysis contain forward-looking statements that involve a number of risks and uncertainties. Actual results could differ materially from those indicated in or underlying these forward-looking statements. Finally, the comparative analysis of SICO's operating results and financial position for the fiscal years ended in December 2001 and 2002 should take the following factors into account:

Since January 1, 2002, the Company has applied the new recommendations of Section 3062 (*"Goodwill and Other Intangible Assets"*) of the Canadian Institute of Chartered Accountants ("CICA") Handbook, under which goodwill and intangible assets with indefinite lives are no longer amortized in the calculation of net earnings but subject to an annual impairment test, including a transitional impairment test during the first year of the application of such recommendations.

Since January 1, 2002, the Company has applied the new recommendations of Section 1650 (*"Foreign Currency Translation"*) of the CICA Handbook, under which unrealized gains and losses on assets and liabilities resulting from transactions denominated in foreign currency are included in the calculation of net earnings. Results for fiscal 2001 have been restated to reflect this recommendation.

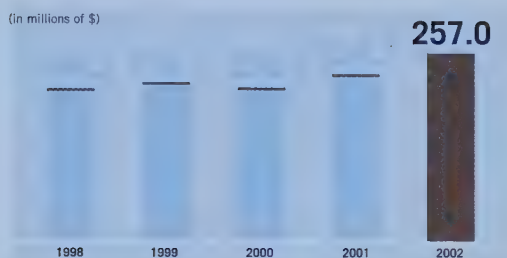
In the fourth quarter of fiscal 2002, SICO adopted, retroactive to January 1, 2002, the accounting standards of the CICA Handbook according to which the results and balance sheet items of Sico-Becker S.A.S. ("Sico-Becker"), a joint venture 50%-owned by SICO, were consolidated in those of the Company using the proportionate consolidation method for the entire 2002 fiscal year. In 2001, only SICO's share in Sico-Becker's net result as an affiliated company had been consolidated in the Company's statement of earnings.

Operating Results

For the fiscal year ended December 27, 2002, SICO's sales amounted to \$257.0 million compared with \$224.3 million in 2001, an increase of 14.5% or \$32.7 million. Without the proportionate consolidation of SICO's share of \$4.9 million in Sico-Becker's revenues for fiscal 2002, the actual growth in the Company's sales was 12.3% or \$27.7 million.

SALES

(in millions of \$)



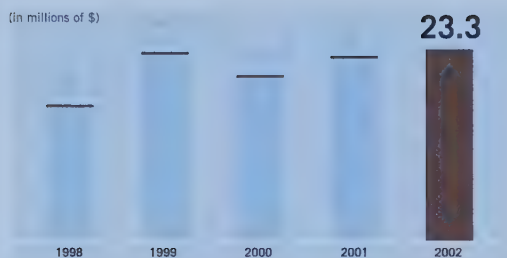
The architectural sector's sales grew by 16.5% or \$30.4 million to \$215.0 million, accounting for 83.7% of the Company's business volume. This increase is primarily attributable to Bétonel's full-year contribution, as opposed to three months in 2001, coupled with the internal growth of national brand paint sales in both the retail and professional painters markets.

Notwithstanding the proportionate consolidation of Sico-Becker's revenues, the industrial sector's sales were down 6.9% or \$2.7 million, owing to the weakness of the North American market. However, SICO's wholly-owned subsidiary Sicorel contributed to the Company's sales for the entire 2002 fiscal year compared with seven months in 2001, while also achieving solid growth in the Mexican specialty equipment and public transit markets.

Earnings before depreciation, amortization, financial expenses, share in the results of affiliated companies and income taxes ("EBITDA") amounted to \$23.3 million, up 5.2% over \$22.1 million the previous year. Hence, EBITDA as a percentage of sales went from 9.9% in 2001 to 9.1% in 2002, due to the increase in certain administrative expenses and Sico-Becker's weaker performance.

EBITDA

(in millions of \$)

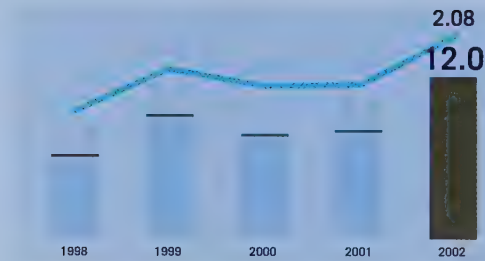


The architectural sector's EBITDA grew by 22.5% or \$6.6 million to reach \$36.1 million (profit margin of 16.8%), up from \$29.4 million (profit margin of 15.9%) in 2001. In addition to Bétonel's contribution, this performance is the result of strong growth of national brand product sales, good procurement conditions, and effective management of productivity and operating expenses.

The industrial sector's EBITDA declined by 24.1% or \$1.0 million to \$3.1 million. Excluding Sico-Becker, the decrease in EBITDA was 13.7% or \$0.6 million, due to lower sales caused by the market slowdown in North America. In Europe, Sico-Becker posted an operating loss due to the costs associated with the integration of the operations acquired from Blancomme S.A. the previous year.

Depreciation and amortization of fixed assets and other assets grew by 6.2% or \$0.3 million, owing mainly to Bétonel's presence for the entire fiscal year. Financial expenses declined from \$2.1 million to \$0.1 million, thanks largely to the recognition of a \$0.2 million exchange gain in 2002 as opposed to a \$1.0 million exchange loss in 2001, representing a favourable variance of \$1.2 million. Despite a 3.4% increase in its average indebtedness level, SICO also benefited from a \$0.8 million or 30.0% reduction in interest expenses due to the decrease in the average interest rate on its debt. Finally, payment discounts were \$0.2 million higher than in 2001.

NET EARNINGS (in millions of \$)
FULLY DILUTED EARNINGS PER SHARE (in \$)



As a result, SICO achieved pre-tax earnings of \$17.9 million, up 18.1% over the \$15.2 million in earnings before income taxes and amortization of goodwill recorded in 2001. The effective tax rate stood at 32.9% versus 44.1% the previous year, due to a combination of factors, including the decline in the federal statutory rate.

SICO posted net earnings of \$12.0 million or \$2.15 per share (\$2.08 fully diluted), representing a 37.5% increase over the previous year's earnings before amortization of goodwill of \$8.7 million or \$1.69 per share (\$1.62 fully diluted), and a 50.0% increase over net of \$8.0 million or \$1.55 per share (\$1.48 fully diluted). SICO thereby achieved a 16.7% return on average equity in 2002.

The weighted average number of shares outstanding went from 5,183,676 (5,407,711 on a fully diluted basis) in 2001 to 5,604,338 (5,793,576 on a fully diluted basis) in 2002 subsequent to the exercise — at the end of 2001 and during 2002 — of stock options held by managers, officers and directors, as well as the issuance of common shares under the stock purchase plan for employees, executives and directors.

Principal Cash Flows and Financial Position

In 2002, cash flow generated by operating activities amounted to \$14.7 million, down 10.1% from \$16.3 million in 2001. Besides net earnings, depreciation, amortization and future income taxes, these funds include a negative change of \$2.3 million in non-cash working capital items for fiscal 2002, compared with a positive change of \$2.8 million the prior year. The net variance can be mainly explained by the growth in business volume and the development of markets.

QUARTERLY FINANCIAL INFORMATION

(in thousands of dollars, except amounts per share)

	1 st Quarter		2 nd Quarter		3 rd Quarter		4 th Quarter	
	2002	2001	2002	2001	2002	2001	2002	2001
Sales	57,502	50,170	80,447	72,543	66,631	56,553	52,374	45,081
Net earnings (loss)	1,537	(18)	6,314	5,215	4,157	2,812	20	9
Net earnings (loss) per common share								
• Basic	0.28	(0.00)	1.13	1.02	0.73	0.55	0.01	0.00
• Diluted	0.27	(0.00)	1.09	0.99	0.72	0.53	0.00	0.00

Figures for 2001 have been restated as described in Note 3 of the consolidated financial statements.

Investing activities used cash resources of \$4.9 million (versus \$17.5 million in 2001), including:

- the purchase of \$3.4 million in new fixed assets, consisting mainly of manufacturing and warehousing equipment, information technology and the fitting out of new sales outlets by Bétonel; and
- a \$1.6 million investment in other assets, consisting mostly of deferred expenses associated with the development of new colour systems and market development efforts.

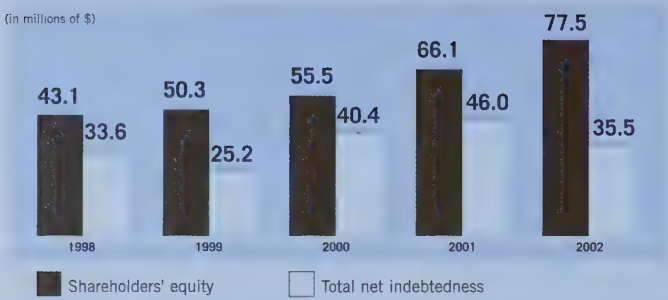
With regard to financing activities, during the second quarter, SICO renegotiated its lending agreement for a three-year period, in the form of short-term credit facilities of up to \$45.0 million, combined with a long-term debt of up to \$40 million. The long-term debt therefore increased by \$17.0 million, which was applied to reduce bank loans. During the fiscal year, SICO also contracted \$3.9 million in new bank loans in the normal course of business, and repaid a total of \$6.5 million in long-term debt.

Moreover, the Company paid dividends of \$2.3 million or \$0.41 per share to holders of common shares, and collected \$3.0 million on the issuance of 299,632 common Treasury shares: 285,148 shares subsequent to the exercise of stock options by managers, officers and directors, and 14,484 shares under the stock purchase plan for employees, executives and directors. SICO did not redeem any shares under its normal course issuer bid in 2002.

Combined with the exchange gain on cash denominated in foreign currency, the various inflows and outlays of fiscal 2002 provided cash resources of \$8.0 million. Accordingly, SICO's cash position consisted of \$9.1 million in cash and cash equivalents as at December 27, 2002, as opposed to a bank overdraft of \$0.6 million as at December 28, 2001.

At the close of fiscal 2002, working capital totalled \$52.6 million for a current ratio of 2.48:1, compared with \$29.3 million for a 1.69:1 ratio a year earlier. This improvement is mainly attributable to the strengthening of the Company's cash position following the refinancing of its debt and the year's repayments. Besides the growth in SICO's business, the changes in

CAPITAL STRUCTURE

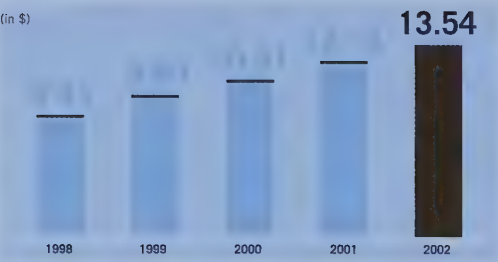


accounts receivable, accounts payable and inventories partially reflect Sico-Becker's consolidation and the disposal, as at December 27, 2002, of the assets of the Hancock architectural paint stores operating in the Boston area.

The elimination of the \$3.2 million investment can be explained by the proportionate consolidation of Sico-Becker, this amount now being divided among the various assets and liabilities related to this entity. The net value of fixed assets went from \$40.4 million to \$39.2 million, as the value of new fixed assets purchased during the year was less than depreciation and amortization expenses. The \$2.0 million increase in other assets and goodwill reflects the previously described investments.

Shareholders' equity grew by 17.3% to \$77.5 million or \$13.54 per common share as at December 27, 2002. This increase is attributable to SICO's net earnings for the fiscal year and the issuance of Treasury shares, net of the dividends paid on common shares and the second-quarter recognition of a \$1.9 million loss in value related to the goodwill of the Hancock chain of stores, in accordance with the CICA's new recommendations.

BOOK VALUE PER SHARE



Subsequent to the refinancing arranged in the second quarter, long-term debt (including the current portion) went from \$25.7 million for a long-term debt/equity ratio of 0.39:1 as at December 28, 2001, to \$38.0 million for a 0.49:1 ratio on December 27, 2002. However, also including the preferred shares, loans and bank overdrafts net of available cash, total net indebtedness went from \$46.0 million for a total net debt/equity ratio of 0.70:1 at the end of fiscal 2001, to \$35.5 million for a 0.46:1 ratio by the close of fiscal 2002.

Event Subsequent to the End of the Last Fiscal Year

On February 21, 2003, SICO and a syndicate of underwriters completed the public issue of 1,000,000 common shares at a unit price of \$20.40, for gross proceeds of \$20.4 million and net proceeds of \$18.9 million. These funds were invested in the Company's working capital in order to finance future acquisitions, consistent with its growth strategy. If no acquisition opportunities matching the Company's criteria arise, the proceeds will be used to reduce indebtedness.

Risks and Uncertainties

Competition

SICO's industry is highly competitive in most product categories and geographic regions. Competition is largely based on customer brand awareness, price, quality, range of products offered, need for technology improvement, successful new product development and introduction, distribution capabilities, customer service and continued cost reduction. The Company is and will be competing with larger, better capitalized companies which may be better positioned to respond to shifts in the marketplace.

Dependence on Key Customers

Certain of the Company's largest customers account for a significant percentage of its revenues. For 2002, two groups of clients (totalling more than 500 retailers) purchased architectural paint and related production representing 35.5% of the Company's total sales. Although SICO believes its relationships with its largest customers are good, the loss of a material amount of sales to any of these customers could materially adversely affect SICO.

Weather and Seasonality

Outdoor paint products are subject to specific application requirements related to weather conditions. The sales of such products, which account for approximately 24% of the paint sales of the Company's architectural sector, are dependent upon weather and can be materially adversely affected by bad weather persisting for several days or weeks. Furthermore, the sale of outdoor products is seasonal in nature. Sales of such products in the second and third quarters are historically significantly higher than sales in the first and fourth quarters, and as such, net earnings are significantly lower in those quarters. Variable costs can be managed to match the seasonal pattern. However,

a significant portion of costs of the Company cannot be adjusted for seasonality.

Environmental Considerations

The protection of the environment and the compliance with related requirements are an on-going concern for the Company. The Company has internal controls and personnel dedicated to compliance with all applicable environmental laws. The Company is subject to various laws and regulations relating to the environment and to employee health and safety. These environmental laws and regulations relate to the generation, storage, transportation, disposal and emission into the environment of various substances and also allow, among other things, regulatory authorities to compel (or seek reimbursement for) cleanup of environmental contamination. Environmental authorization certificates are required at certain locations for operation of the Company's business, and these certificates are subject to modification and, in certain circumstances, revocation. The Company believes it complies in all material aspects to currently applicable environmental laws and regulations, except for the following.

All of the Company's plants hold, where applicable, the environmental authorization certificates required for the operation of its business, except for some plants that will obtain or are in the course of obtaining or modifying the environmental authorization certificates required for the operation of their business. The Company does not anticipate any problem in obtaining permits and authorizations for which it will apply or has applied. However, there is no assurance that such permits will be granted.

Among the dozen properties held by the Company, seven have contamination problems to various degrees related to past operations. Types of identified contaminants consist mainly of oils and greases, aromatic solvents and volatile organic compounds.

The Company believes that such contamination poses no risk to public health and does not require immediate intervention. However, no assurance can be given that expenditures will not be required to deal with known or unknown contamination, some or all of which may be material. Four of such properties have been inactive from a manufacturing standpoint for several years.

The Company cannot predict the environmental legislation or regulations that may be enacted in the future or how existing or future laws or regulations will be administered or interpreted. Compliance with more stringent laws or regulations, as well as more vigorous enforcement policies of the regulatory agencies or stricter interpretation of existing laws, may require additional expenditures by the Company, some or all of which may be material.

Risks relating to Acquisitions

In order to expand its services and geographic presence, the Company's business strategy includes growth through acquisitions. There can be no assurance that future acquisitions will be consummated on acceptable terms or that any newly acquired companies will be successfully integrated into the Company's operations or that the Company will fully realize any of the synergies anticipated from such acquisitions. The Company may issue securities (which could result in dilution to existing shareholders) or may incur additional indebtedness or a combination thereof, for all or a portion of the consideration to be paid with respect to future acquisitions.

Raw Materials

The Company is reliant upon certain suppliers for pigments, resins, solvents, thinners and other components and no assurances can be given that the Company will not experience delays or other difficulties in obtaining supplies, as a result of trade disputes or for other reasons. The global paint industry must deal with a growing concentration of certain raw material providers, which may result in an increase in raw material prices which SICO may be unable to pass to customers. Although the Company believes that there are alternative suppliers for most key requirements, if its current suppliers are unable to provide the necessary raw materials or otherwise fail to timely deliver products in the quantities required, any resulting delays in the manufacture or distribution of existing products could have a material adverse effect on the Company's results of operations and financial condition.

Employees

Certain of the Company's employees are covered by collective bargaining agreements. The Company had five collective agreements due for renewal as of December 27, 2002. In the event of protracted or extensive work stoppages at any of the Company's facilities, the ability of the Company to maintain its current level of operating income may be impaired.

Dependence on Key Personnel

The success of the Company is dependent upon its personnel. The unexpected loss or simultaneous departure of a number of the Company's key officers or employees could be detrimental to the future operations of the Company. The success of the Company's business will depend, in part, upon the Company's ability to attract and retain qualified personnel as they are needed. There can be no assurance that the Company will be able to engage the services of such personnel or retain its current personnel.

Significant Shareholders

To the knowledge of management of the Company, the only persons owning beneficially, directly or indirectly, or exercising control or direction over more than 10% of the outstanding voting shares of the Company will be Mr. Jean-Paul Lortie and 159585 Canada Inc.

The shareholders mentioned in the above paragraphs are able to exercise significant influence over the Company's business and affairs including, if an election of the Board of Directors of the Company was held, the entitlement to exercise a significant portion of votes cast for the election of directors.

Retail Industry

The Company is engaged in the retail distribution of paint, related products and accessories. Retail sales may be influenced by economic conditions and consumer behavior, each of which may be unrelated to the Company's operations and beyond the ability of the Company to directly control. The Company's future performance in such sector will be dependent upon its ability to respond to changes in the economy which affect consumer purchasing decisions for products sold or made available by the Company.

Exchange Rate Fluctuations

Some of the Company's raw and packaging materials are priced and sold in U.S. dollars or linked to the U.S. dollar. Accordingly, fluctuations in the value of the U.S. dollar affect the prices the Company pays for its raw and packaging materials. In addition, because a portion of the Company's sales, cost of goods, long-term debt and other expenses are denominated in currencies other than the Canadian dollar, the Company has a translation exposure to fluctuations in such currencies against the Canadian dollar. These currency fluctuations could have an impact on the Company.

Outlook, Requirements and Sources of Funds in 2003

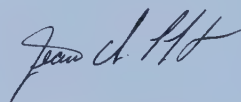
SICO should operate in a fairly positive environment in 2003. As Canadian economic conditions continue to be favourable to the new construction and housing resale markets, the architectural paint industry should benefit from solid demand again this year. Furthermore, SICO will be reaping the rewards of the past year's developments, including its breakthrough in Western Canada. This will partially compensate for the revenue shortfall of approximately \$11 million resulting from the December 2002 disposal of the Hancock chain of stores. However, it should be pointed out that this disposal will not have any negative impact on our architectural sector's profitability.

In 2003, it is expected that the architectural sector's main challenge will be to offset the rising cost of raw materials resulting from petroleum products and titanium dioxide price increases. As in the past, we will respond by increasing our selling prices, market conditions permitting, and by continually improving our purchasing practices product formulations and overall productivity.

The economic outlook remains uncertain for our industrial sector, as the recovery we had expected for the second half of 2002 in North America has failed to materialize so far. However, we believe that industrial investments bottomed out in 2002 and should improve as of the third quarter. Our industrial sector is well positioned to benefit from an eventual recovery, having broadened its customer base, strengthened its technological portfolio and streamlined its operating expenses last year. In Europe, Sico-Becker has finished integrating the assets acquired from Blancomm in 2001, and has posted solid sales growth since the summer of 2002. In both North America and Europe, while further expanding its markets, our industrial sector's primary objective for 2003 will be to improve its profit margins.

In both its business sectors, SICO is constantly seeking opportunities to acquire, at a reasonable cost, complementary businesses in terms of positioning, synergies and corporate culture. More specifically, we are targeting Canadian architectural paint companies and American or foreign manufacturers of industrial coatings. We hope to conclude such an acquisition in the near future, which is why we set up a financing arrangement in February 2003.

As for the Company's additional funding requirements, capital expenditures of some \$6 million are planned for fiscal 2003, mostly for manufacturing and warehousing equipment, the implementation of new information technology, and the fitting out of new Bétonel sales outlets. We will also repay \$7 million of our long-term debt. We intend to pursue our dividend policy and will assess the appropriateness of redeeming SICO shares under our normal course issuer bid. Funds generated by operations should be sufficient to meet these funding requirements.



Jean Ouellet, CA

Vice-President, Finance and Treasurer
March 2003

Management's Report

Related to the Consolidated Financial Statements

The consolidated financial statements of Sico Inc. and the financial information in this annual report are the responsibility of management and have been approved by the Board of Directors. These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and are considered to fairly present the financial position, results of operations and cash flows of the Company. As required, management has made informed judgments and estimates of the expected effects of current events and transactions with appropriate consideration to materiality. Furthermore, management has prepared financial information presented elsewhere in the annual report and has assured that it is consistent with that in the financial statements.

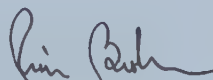
In meeting its responsibility for the integrity of the financial information provided in this annual report, management relies on the internal control system of the Company. The purpose of this system is to provide reasonable assurance that assets are safeguarded, transactions are properly recorded and carried out in accordance with the support of management, and financial records are reliable for preparing the financial statements. No system of internal control can detect and prevent all errors or irregularities. However, in the opinion of management, the system in place provides an acceptable balance between the advantages it can offer and the related costs.

The Board of Directors carries out its responsibility for the consolidated financial statements in this annual report principally through its Audit Committee, consisting solely of non-executive directors. The Committee meets periodically with management and with the external auditors to examine the activities of each party and the manner in which the respective responsibilities of each party are carried out. The external auditors have full access to the Committee, with and without management being present, to discuss the scope of their audit, and the adequacy of the internal control system and of the financial information. The Committee has examined the financial statements and has recommended their approval to the Board of Directors.

The external auditors appointed by the shareholders, Samson Bélair/Deloitte & Touche, Chartered Accountants, are responsible for independently auditing the financial statements in accordance with Canadian generally accepted auditing standards and expressing an opinion on these statements. Their report follows.



Jean-Paul Lortie
Chairman of the Board



Pierre Brodeur
President and Chief Executive Officer

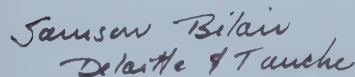
Auditors' report

To the Shareholders of Sico Inc.

We have audited the consolidated balance sheets of Sico Inc. as at December 27, 2002 and December 28, 2001 and the consolidated statements of earnings, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 27, 2002 and December 28, 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Montreal, Quebec
February 21, 2003

Consolidated statements of earnings

years ended December 27, 2002 and December 28, 2001

(in thousands of dollars, except per share data)

	2002 \$	2001 \$(restated)
Sales	256,954	224,347
Cost of sales and operating expenses (Note 19)	233,668	202,202
Operating earnings before:	23,286	22,145
Depreciation and amortization (Note 16)	5,211	4,905
Financial expenses (Note 17)	146	2,057
	5,357	6,962
Earnings before share in results of affiliated companies, income taxes and amortization of goodwill	17,929	15,183
Share in results of affiliated companies	—	(14)
Earnings before income taxes and amortization of goodwill	17,929	15,169
Income taxes (Note 18)	5,901	6,421
Earnings before amortization of goodwill	12,028	8,748
Amortization of goodwill, net of income taxes of \$93	—	730
Net earnings	12,028	8,018
Weighted average number of outstanding common shares	5,604,338	5,183,676
Basic earnings per share before amortization of goodwill	2.15	1.69
Diluted earnings per share before amortization of goodwill	2.08	1.62
Basic earnings per share	2.15	1.55
Diluted earnings per share	2.08	1.48

Consolidated statements of retained earnings

years ended December 27, 2002 and December 28, 2001

(in thousands of dollars)

	2002 \$	2001 \$(restated)
Balance at beginning, previously reported	47,916	41,384
Restatement of (losses) gains on foreign currency translation (Note 3)	(435)	156
Balance at beginning, restated	47,481	41,540
Goodwill impairment (Note 3)	(1,924)	—
Net earnings	12,028	8,018
Dividends on common shares	(2,308)	(2,077)
Balance at end	55,277	47,481

Consolidated balance sheets

as at December 27, 2002 and December 28, 2001

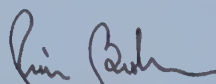
(in thousands of dollars)

	2002 \$	2001 \$ (restated)
Assets		
Current assets		
Cash and cash equivalents	9,140	—
Accounts receivable (Note 6)	29,354	22,975
Inventories (Note 7)	41,931	42,188
Prepaid expenses	7,626	6,614
	88,051	71,777
Long-term receivables (Note 8)	1,365	1,185
Investment	—	3,181
Fixed assets (Note 9)	39,181	40,408
Other assets (Note 10)	6,556	6,085
Goodwill (Note 11)	19,505	18,023
Future income taxes (Note 18)	937	280
	155,595	140,939
Liabilities		
Current liabilities		
Bank overdraft	—	563
Bank loan (Note 12)	2,838	15,900
Accounts payable and accrued liabilities	24,456	19,727
Income taxes	1,159	1,281
Current portion of long-term debt (Note 13)	7,000	5,000
	35,453	42,471
Long-term debt (Note 13)	31,023	20,702
Future income taxes (Note 18)	7,268	7,311
Deferred credits	510	552
Preferred Class B shares (Note 15)	3,800	3,800
	78,054	74,836
Shareholders' equity		
Capital stock (Note 15)	21,622	18,622
Retained earnings	55,277	47,481
Foreign currency translation adjustment	642	—
	77,541	66,103
	155,595	140,939

Approved by the Board:



Jean-Paul Lortie
Director



Pierre Brodeur
Director

Consolidated statements of cash flows

years ended December 27, 2002 and December 28, 2001

(in thousands of dollars)

	2002 \$	2001 \$(restated)
Operating activities		
Net earnings	12,028	8,018
Adjustments for:		
Depreciation and amortization	5,411	4,905
Amortization of goodwill	–	823
Future income taxes	(565)	(228)
Share in results of affiliated companies	–	14
Other	100	9
Net change in non-cash working capital items (Note 20)	(2,298)	2,789
Cash flow from operating activities	14,676	16,330
Investing activities		
Acquisition of fixed assets	(3,412)	(2,622)
Business acquisitions net of cash acquired (Note 4)	–	(7,469)
Disposal of Hancock Paint Inc. assets	387	–
Balance of purchase price	–	(2,110)
Investment (Note 4)	–	(3,245)
Other assets	(1,606)	(2,180)
Other	(223)	99
Cash flow from investing activities	(4,854)	(17,527)
Financing activities		
Bank loan	(13,062)	8,921
Increase of long-term debt	17,000	–
Reduction in long-term debt	(6,546)	(6,961)
Issue of common shares	3,000	1,116
Dividends on common shares	(2,308)	(2 077)
Cash flow from financing activities	(1,916)	999
Exchange gain (loss) on foreign currency denominated cash and cash equivalents	139	(244)
Increase (decrease) in cash and cash equivalents	8,045	(442)
Cash and cash equivalents at beginning	(563)	(121)
Cash and cash equivalents - share of the joint venture at beginning (Note 5)	1,658	–
Cash and cash equivalents at end	9,140	(563)
Supplementary information		
Interest paid	1,504	2,361
Dividends paid on preferred shares	157	249
Income taxes paid	6,801	5,894
Business acquisition through issuance of capital stock (Note 4)	–	3,500
Balance of selling price receivable on disposal of Hancock Paint Inc. assets (Note 6)	2,881	–

Notes to the consolidated financial statements

years ended December 27, 2002 and December 28, 2001

(tabular amounts are in thousands of dollars, except per share data)

1. Description of business

The Company, incorporated under Part IA of the *Companies Act* (Québec), manufactures and distributes paints and coatings principally in Canada.

The Company's financial year ends on the last Friday of December.

2. Summary of significant accounting policies

Consolidation

The financial statements of the entities controlled by the Company are consolidated. The joint venture has been accounted for using the proportionate consolidation method since December 29, 2001.

Use of estimates

The preparation of the consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates notably with regard to the allowance for doubtful accounts, inventories, accounts payable and accrued liabilities, future income tax assets and liabilities as well as actuarial assumptions. These assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of sales and expenses during the reporting period. Because of the use of estimates inherent in the financial reporting process, actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents consist of cash or bank overdraft and short-term investments with original maturities of three months or less.

Inventories

Raw materials are valued at the lower of cost and replacement value while finished goods are valued at the lower of cost and net realizable value. The cost of inventories is determined substantially on an average cost basis. The cost of finished goods includes the laid-down cost of material plus the applicable share of labour and overhead expenses chargeable to production.

Fixed assets

Fixed assets are recorded at cost and depreciated using the straight-line method, mainly at the following annual rates:

Land improvements	4% to 10%
Buildings	2 1/2% to 6 2/3%
Machinery and equipment	6 2/3% to 33 1/3%

Other assets

Other assets comprise trademark and deferred charges.

Trademark is deemed to have an indefinite useful life because management expects that it will generate cash flows indefinitely. The trademark is no longer amortized for purposes of calculating net income but is instead tested for impairment annually. Any loss in value is charged to earnings. The annual impairment test did not reveal any loss in value.

Deferred charges, comprising principally the colour systems, are recorded at cost and amortized on a straight-line basis at rates varying from 10% to 33 1/3%. Deferred charges also include incentives paid to customers following the signing of long-term supply agreements. These incentives are amortized over the contract term, and amortization has been applied as a reduction of sales.

Goodwill

Goodwill represents the excess of the purchase price over the fair values of the net assets of the entities acquired at the respective dates of acquisition.

Goodwill is deemed to have an indefinite useful life and is no longer amortized for purposes of calculating net income but is instead tested annually for impairment. Under the impairment testing, any loss in value is charged to earnings. The annual impairment test did not reveal any additional loss in value.

Impairment of long-lived assets

The Company evaluates the carrying value of its long-lived assets on an ongoing basis. In order to determine whether an impairment exists, management considers the undiscounted cash flows estimated to be generated by those assets as well as other indicators. Any permanent impairment in the carrying value of assets is charged against earnings in the period an impairment is determined. The annual impairment test did not reveal any loss in value.

Notes to the consolidated financial statements

years ended December 27, 2002 and December 28, 2001

(tabular amounts are in thousands of dollars, except per share data)

2. Summary of significant accounting policies (continued)

Stock-based compensation

The Company has a stock option plan, which is described in Note 15. Effective January 1, 2002, the Company adopted the recommendations of Canadian Institute of Chartered Accountants (CICA) Handbook Section 3870, *Stock based compensation and other stock-based payments*. This Section establishes standards for the recognition, measurement and disclosure of stock-based compensation made in exchange for goods and services. This Section requires that compensation for all awards made to non-employees and certain awards made to employees, including stock appreciation rights, direct awards of stock and awards that call for settlement in cash or other assets, be measured and recorded in the financial statements at fair value. This Section encourages, but does not require, the use of the fair value method for all other types of stock-based compensation plans. This Section applies to awards granted by the Company on or after January 1, 2002. For period ended December 27, 2002, no awards had been granted under the plan.

As permitted by Section 3870, the Company has chosen to continue to account for stock-based options granted to employees based on the intrinsic value of the options at the date of grant. Accordingly, compensation cost for stock options issued to employees is measured as the excess, if any, of the quoted market price of the Company's common shares at the date of grant over the amount an employee must pay to acquire the common shares.

Research

Research expenses comprising mostly wages of employees involved in research, net of related tax credits, are charged to earnings in the year they are incurred.

Income taxes

The Company uses the asset and liability method to account for its income taxes. Future income taxes relate to the expected future tax consequences of differences between the carrying amounts of balance sheet items and their corresponding tax values. Future tax assets are recognized only to the extent that, in the opinion of management, it is more likely than not that the future income tax assets will be realized. Future income tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment or substantive enactment.

Deferred credits

Deferred credits represent grants related to fixed assets. Deferred credits are amortized on a straight-line basis at rates corresponding to those used for the fixed assets to which they relate.

Foreign currency translation

Sales and expenses denominated in foreign currencies are recorded at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at the balance sheet dates. Translation gains and losses are reflected in net earnings.

The accounts of the foreign subsidiaries, which are financially or operationally dependent on the parent company, are accounted for using the temporal method. Under this method, monetary assets and liabilities are translated at the exchange rates in effect at the balance sheet dates and non-monetary assets and liabilities are translated at the historical exchange rate. Sales and expenses are translated at average rates for the period. Translation gains or losses of such subsidiaries are reflected in net earnings.

The accounts of the self-sustaining foreign joint venture, whose economic activities are largely independent from the parent company, are translated at the current rate method. Under this method, the assets and liabilities of the joint venture denominated in foreign currency are translated into Canadian dollars at the rate of exchange in effect at the balance sheet dates. Sales and expense items are translated at average rates of exchange for the period. Unrealized foreign exchange translation gains and losses are accrued and recorded as a foreign currency translation adjustment in Shareholders' equity.

Notes to the consolidated financial statements

years ended December 27, 2002 and December 28, 2001

(tabular amounts are in thousands of dollars, except per share data)

2. Summary of significant accounting policies (continued)

Employee future benefits

The Company accrues its obligations under employee benefit plans and the related costs, net of plan assets. Pension costs and other retirement benefits earned by employees are actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and life insurance costs. Pension plan assets are valued at fair value for the purpose of calculating the expected return on plan assets. Past service costs arising from plan amendments are amortized on a straight-line basis over the average remaining service period of the active employees at the date of the plan amendment. The excess of the net actuarial gain (loss) over 10% of the greater of the accrued benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees.

Earnings per share

Basic earnings per share have been calculated on the weighted average number of common shares outstanding during the years.

Diluted earnings per share figures for each of the years presented have been computed using the treasury stock method.

3. Adjustment for change in accounting policy

Foreign currency translation

Effective January 1, 2002, the Company adopted the revised recommendations of CICA Handbook Section 1650, *Foreign currency translation*. The standards require that all unrealized translation gains and losses on assets and liabilities denominated in foreign currencies be included in earnings for the year, including gains and losses on long-term monetary assets and liabilities, such as long-term debt, which were previously deferred and amortized on a straight-line basis over the remaining lives of the related items. As required by the revised recommendations, the Company has retroactively restated all prior period financial statements presented. As a result of this change, the opening balance of retained earnings for 2002 decreased by \$435,000 and the opening retained earnings for 2001 increased by \$156,000 while net earnings were reduced by \$591,000 as well as the other assets and future income taxes by \$587,000 and \$152,000 respectively.

Goodwill and other assets

Effective January 1, 2002, the Company adopted the new recommendations of CICA Handbook Section 3062, *Goodwill and other intangible assets*. Under the revised Section, goodwill and intangible assets with an indefinite life will no longer be amortized to earnings and will be assessed for impairment on an annual basis in accordance with the new standards, including a transitional impairment test whereby any resulting impairment will be charged to opening retained earnings. The Company conducted the transitional goodwill impairment test as of the date of adoption. Based on this test, the Company has recognized an impairment of \$1,924,000 relating to its American subsidiary, Hancock Paint Inc. to opening retained earnings.

4. Business acquisitions

For all business acquisitions, the Company records the operating results of the acquired companies at their acquisition dates.

On May 24, 2001, the Company acquired the 51% interest from its partner in the Mexican company Pinturas Industriales Sicorel S.A. de C.V. ("Sicorel") for a cash consideration of \$303,000.

On September 30, 2001, the Company acquired all the outstanding shares of Bétonel Ltée ("Bétonel"), a paints and coatings manufacturer and distributor, for a total consideration of \$10,900,000.

Notes to the consolidated financial statements

years ended December 27, 2002 and December 28, 2001

(tabular amounts are in thousands of dollars, except per share data)

4. Business acquisitions (continued)

The acquisitions were accounted for using the purchase method as follows:

	Bétonel \$	Sicorel \$	Total \$
Accounts receivable	3,090	490	3,580
Income taxes	(21)	116	95
Inventories	4,885	274	5,159
Prepaid expenses	255	19	274
Fixed assets	3,053	50	3,103
Other assets	2,149	—	2,149
Goodwill	4,201	28	4,229
Bank loan	(675)	—	(675)
Accounts payable and accrued liabilities	(2,295)	(423)	(2,718)
Long-term debt	(2,889)	—	(2,889)
Future income tax liabilities	(1,006)	(68)	(1,074)
	10,747	486	11,233
Cash position at the acquisition date	153	81	234
	10,900	567	11,467
Consideration			
Cash	7,400	303	7,703
Issuance of 229,508 common shares (Note 15)	3,500	—	3,500
Interest in Sicorel at equity	—	264	264
	10,900	567	11,467

On December 17, 2001, the Company subscribed to an additional \$3,245,000 of the capital of Sico-Becker S.A.S., in which it has a 50% interest.

5. Joint venture: supplementary information

Since November 10, 1998, the Company has a 50% interest in the joint venture Sico-Becker S.A.S. Until December 28, 2001, the interest was accounted for on an equity basis, since the joint venture was starting up operations. Since December 29, 2001, the interest has been accounted for using the proportionate consolidation method.

The Company's proportionate share of its joint venture in the assets and liabilities, results of operations and cash flows in the consolidated financial statement are as follows :

	2002 \$
Balance sheet	
Current assets	2,938
Long-term assets	3,683
Current liabilities	772
Long-term liabilities	2,995
Statement of earnings	
Sales	4,925
Charges	5,245
Net loss	320
Statement of cash flows	
Cash flows from:	
Operating activities	(1,787)
Investing activities	(10)
Financing activities	371

6. Accounts receivable

	2002 \$	2001 \$
Client	24,908	21,359
Balance of selling price receivable ⁽¹⁾	2,881	—
Other	1,565	1,616
	29,354	22,975

⁽¹⁾ On December 27, 2002, Sico sold assets related to architectural paint segment operating under the name Hancock in Boston to the North American division of ICI Paints. This sale was concluded at book value.

7. Inventories

	2002 \$	2001 \$
Raw materials	7,342	6,412
Finished goods	34,589	35,776
	41,931	42,188

Notes to the consolidated financial statements

years ended December 27, 2002 and December 28, 2001

(tabular amounts are in thousands of dollars, except per share data)

8. Long-term receivables

	2002	2001
	\$	\$
Loans to officers for the purchase of outstanding shares, bearing interest at a rate of 5%, receivable over a maximum period of 10 years	878	1,049
Loan to an affiliated company, bearing interest at Euribor plus 6/10 of 1%, without terms of payment	487	136
	1,365	1,185

9. Fixed assets

	Cost	Accumulated depreciation	2002 Net book value
	\$	\$	\$
Land and improvements	3,070	358	2,712
Buildings	29,236	9,602	19,634
Machinery and equipment	45,445	28,610	16,835
	77,751	38,570	39,181

	Cost	Accumulated depreciation	2001 Net book value
	\$	\$	\$
Land and improvements	3,053	329	2,724
Buildings	28,710	8,477	20,233
Machinery and equipment	45,325	27,874	17,451
	77,088	36,680	40,408

10. Other assets

	Cost	Accumulated amortization	2002 Net book value
	\$	\$	\$
Deferred charges			
Colour systems	2,788	657	2,131
Other	4,909	2,609	2,300
	7,697	3,266	4,431
Trademark	2,125	–	2,125
	9,822	3,266	6,556

	Cost	Accumulated amortization	2001 (restated) Net book value
	\$	\$	\$
Deferred charges			
Colour systems	2,125	310	1,815
Other	3,974	1,829	2,145
	6,099	2,139	3,960
Trademark	2,125	–	2,125
	8,224	2,139	6,085

11. Goodwill

	Cost	Accumulated amortization	2002 Net book value
	\$	\$	\$
Goodwill	20,880	1,375	19,505

	Cost	Accumulated amortization	2001 Net book value
	\$	\$	\$
Goodwill	20,613	2,590	18,023

Notes to the consolidated financial statements

years ended December 27, 2002 and December 28, 2001

(tabular amounts are in thousands of dollars, except per share data)

11. Goodwill (continued)

During the year, goodwill changed due to the loss in value of \$1,924,000 recognized as a reduction of opening retained earnings and the proportionate consolidation of Sico-Becker S.A.S. for an amount of \$3,406,000.

12. Bank loan

The bank loan, for an authorized amount of \$45,000,000 or the equivalent in US dollars, is renewable on June 30 of each year. The bank loan is governed by the loan agreements described in Note 13.

13. Long-term debt

	2002	2001
	\$	\$
Bank loans of which \$8,000,000 is in US dollars (US\$10,000,000 in 2001), bearing interest at rates varying from 2.5% to 4.1%, repayable by quarterly instalments of \$1,750,000, maturing in 2005	36,156	25,702
Class A shares of the joint venture, retractable in 2004, and presented as a liability	1,867	—
	38,023	25,702
Current portion	7,000	5,000
	31,023	20,702

Estimated principal payments required in the forthcoming years are as follows:

	\$
2003	7,000
2004	8,867
2005	22,156

The loan agreements contain covenants pertaining mainly to securities which may be given, long-term assets which may be disposed of, and financial ratios which are to be attained so that the Company is not required to give specific securities.

14. Financial instruments

Fair value

At year-end, the estimated fair value of cash and cash equivalents, accounts receivable, long-term receivables, bank loan and accounts payable and accrued liabilities approximate their respective carrying values.

The estimated fair value of long-term debt is not significantly different from its carrying value.

Derivative financial instruments

The Company does not hold or issue financial instruments for trading purposes.

Credit risk

Credit risk concentration with respect to trade receivables is limited due to the Company's large client base.

Currency risk

The Company is exposed principally to currency risk as a result of its export of goods produced in Canada and sold in the United States and Mexico. This risk is partially covered by certain purchases of raw materials. Although foreign currency transactions are not significant, the Company may occasionally enter into forward exchange contracts to protect itself from currency risk.

15. Capital stock

a) Authorized

Preferred shares, without par value

An unlimited number of Class A shares, non-voting except upon default of payment of at least eight quarterly dividends, issuable in series, bearing the features stated in articles of amendment to be authorized by by-law.

2,000,000 Class B preferred shares, voting, non-participating, non-cumulative dividend subordinated to the dividend on common shares, equal to the lesser of 10% of paid-in value and the amount of dividends paid on common shares, redeemable or retractable at average paid-in value. For the years 1997 to 2002, the holder, a Board member, has agreed to reduce the dividend to the average prime rate for the month preceding the declaration of the dividend, plus 0.05%.

Notes to the consolidated financial statements

years ended December 27, 2002 and December 28, 2001

(tabular amounts are in thousands of dollars, except per share data)

15. Capital stock (continued)

An unlimited number of common shares, without par value

	2002 \$	2001 \$
Issued		
5,725,379 common shares (5,425,747 in 2001)	21,622	18,622
1,381,819 Class B preferred shares, classified as liabilities	3,800	3,800

b) Summary of common share transactions:

	Number	Amount \$
Shares issued, December 29, 2000	5,090,497	14,006
Exercise of stock options	85,546	788
Stock purchase plan for employees, executives and directors	20,196	328
Issued as consideration for business acquisitions (Note 4)	229,508	3,500
Shares issued, December 28, 2001	5,425,747	18,622
Exercise of stock options	285,148	2,687
Stock purchase plan for employees, executives and directors	14,484	313
Shares issued, December 27, 2002	5,725,379	21,622

c) Stock option plan

Under the stock option plan for senior management of the Company and its subsidiaries, the Board of Directors may, at its discretion, grant options to purchase common shares of the Company to certain officers and designated executives. The exercise price is established by the Board of Directors but may not be lower than the closing price of a regular lot of the Company's common shares on the Toronto Stock Exchange on the last trading day preceding the grant date. Options generally vest one to ten years from the date of grant and must be exercised within a 10-year period, except in the event of retirement, termination of employment or death. At year-end, 247,896 common shares (536,424 in 2001) have been reserved for issuance under the stock option plan.

c) Stock option plan (continued)

The following table presents information concerning all stock options granted by the Company for the years ended December 27, 2002 and December 28, 2001.

	Number of options	2002 Weighted average exercise price per share \$	Number of options	2001 Weighted average exercise price per share \$
Outstanding at beginning	536,424	10.21	621,970	10.07
Exercised or forfeited	(288,528)	9.51	(85,546)	9.21
Outstanding at end	247,896	11.03	536,424	10.21

The outstanding stock options granted to certain members of senior management of the Company at December 27, 2002 are as follows:

Options issued	Options exercisable	Weighted average exercise price per share \$	Weighted average remaining contractual life (years)
1,211	1,211	13.75	1
20,200	20,200	10.00	2
22,222	22,222	8.88	3
30,862	30,862	6.55	4
25,000	25,000	8.30	4
58,000	58,000	10.50	5
61,740	61,740	13.25	5
13,078	10,462	16.00	7
15,583	9,352	17.50	7
247,896	239,049	11.03	4

d) Stock purchase plan for employees, executives and directors

This stock purchase plan was set up to allow the employees, executives and directors of the Company and its subsidiaries to purchase shares of the Company's capital stock. The subscription price of the common shares is equal to the average market closing price during the last five days of trading prior to the specified annual date. The maximum number of shares that may be offered annually under the plan is 25,000 shares, and the remaining number of shares that may be offered as at December 27, 2002 is 108,640.

Notes to the consolidated financial statements

years ended December 27, 2002 and December 28, 2001

(tabular amounts are in thousands of dollars, except per share data)

15. Capital stock (continued)

e) Earnings per share

The following table sets forth the computation of basic and diluted earnings per share for the years ended December 27, 2002 and December 28, 2001.

	2002 \$	2001 \$ (restated)
Numerator:		
Net earnings	12,028	8,018
Denominator:		
Denominator for basic earnings per share - weighted average number of shares	5,604,338	5,183,676
Dilutive effect of stock options	189,238	224,035
Denominator for diluted earnings per share - weighted average shares conversions	5,793,576	5,407,711
Basic earnings per share	2.15	1.55
Diluted earnings per share	2.08	1.48

16. Depreciation and amortization

	2002 \$	2001 \$ (restated)
Fixed assets	4,319	3,889
Deferred charges ⁽¹⁾	1,134	1,058
Deferred credits	(42)	(42)
	5,411	4,905

⁽¹⁾ During fiscal 2002, an amount of \$200,000 of amortization related to deferred charges was applied as a reduction of sales.

17. Financial expenses

	2002 \$	2001 \$ (restated)
Interest on long-term debt	1,125	1,356
Other interest	353	534
Dividends on preferred Class B shares	157	249
Cash discounts	(1,308)	(1,090)
Foreign currency translation (gain) loss	(181)	1,008
	146	2,057

18. Income taxes

The income tax provision for 2002 and 2001 is as follows:

	2002 \$	2001 \$ (restated)
Current income taxes	6,390	6,556
Future income taxes	(489)	(228) ⁽¹⁾
	5,901	6,328

⁽¹⁾ Includes future income taxes of \$93,000 related to goodwill amortization.

The Company's effective income tax rate is calculated as follows:

	2002 %	2001 % (restated)
Combined income tax rate	36.1	38.4
Increase (decrease) in rate resulting from:		
Manufacturing and processing profits deduction	(2.0)	(3.4)
Dividends on preferred shares	0.3	0.7
Non-deductible expenses and non taxable income	0.9	1.0
Tax losses of US subsidiaries	1.4	2.4
Change in future income tax balances due to a rate reduction	(1.4)	—
Non-deductible goodwill amortization	—	1.5
Prior years income tax assessments	—	1.4
Other	(2.4)	2.1
Effective income tax rate	32.9	44.1

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years ended December 27, 2002 and December 28, 2001

(tabular amounts are in thousands of dollars, except per share data)

18. Income taxes (continued)

At year-end, the future income taxes are as follows:

	2002	2001
	\$	\$
		(restated)
Future income tax assets		
Employee future benefits	446	188
Other	214	92
Unrealized tax losses ⁽¹⁾	6,104	5,889
Valuation allowance	(5,827)	(5,889)
	937	280
Future income tax liabilities		
Fixed assets	3,900	4,272
Goodwill	1,141	1,155
Other assets	2,094	1,805
Other	133	79
	7,268	7,311

⁽¹⁾ As at December 27, 2002, the American subsidiaries have approximately US\$11,100,000 in tax losses. These losses may be carried forward to reduce taxable income up to the year 2022. A valuation allowance has been recorded against the aggregate of this tax benefit. Moreover, the joint venture has unused tax losses of approximately Euros 508,000 which can be applied against taxable income through 2007.

19. Research

Research expenses amount to \$3,692,000 for the year (\$3,476,000 in 2001) and are shown under "Cost of sales and operating expenses". Some of these expenses qualify for tax credits of \$407,000 (\$330,000 in 2001), which are applied against these expenses.

20. Net change in non-cash working capital items

	2002	2001
	\$	\$
		(restated)
Accounts receivable	(2,250)	3,461
Inventories	(1,421)	553
Prepaid expenses	(1,282)	(1,688)
Accounts payable and accrued liabilities	2,758	(907)
Income taxes	(103)	1,370
	(2,298)	2,789

The change in non-cash working capital items includes the effects of the disposal of the assets of Hancock Paint Inc. and the proportionate consolidation in 2002 of the Sico-Becker S.A.S. joint venture.

21. Commitments

The long-term operating leases for premises and equipment, as well as other commitments outstanding as at December 27, 2002, comprise the following annual minimum payments and contain the usual clauses pertaining to taxes, insurance and other expenses:

	\$
2003	4,705
2004	4,004
2005	3,470
2006	2,927
2007	2,575

22. Contingency

In the normal course of business, the Company is party to claims and lawsuits. Although the outcome of the legal actions ongoing as at December 27, 2002 cannot be determined with certainty, management believes that their resolution will not have any material adverse impact on the Company's financial position or results.

23. Employee future benefits

The Company and its subsidiaries maintain primarily defined benefit pension plans for most of their employees. The other plans relate to other retirement benefits, primarily life insurance, offered by the Company to its employees.

Notes to the consolidated financial statements

years ended December 27, 2002 and December 28, 2001

(tabular amounts are in thousands of dollars, except per share data)

23. Employee future benefits (continued)

a) Information about the Company's defined benefit plans, in aggregate, is as follows:

	Pension plans		Other plans	
	2002	2001	2002	2001
	\$	\$	\$	\$
Accrued benefit obligation				
Balance, beginning of year	54,399	46,136	846	828
Service cost	2,510	2,442	25	24
Benefits paid	(2,577)	(2,694)	(109)	(59)
Interest cost	3,552	3,344	53	53
Actuarial loss	2,044	5,171	398	—
Balance, end of year	59,928	54,399	1,213	846
Plan assets				
Fair value, beginning of year	56,288	54,970	—	—
Contributions	1,567	1,428	109	59
Benefits paid	(2,577)	(2,694)	(109)	(59)
Actual return on plan assets	15	2,584	—	—
Fair value, end of year	55,293	56,288	—	—
Funded status				
(Deficit) plan surplus	(4,635)	1,889	(1,213)	(846)
Unrecognized transitional (assets) obligation	(3,410)	(3,696)	548	599
Unrecognized net actuarial loss	8,065	2,125	504	109
Accrued benefit asset (liability)	20	318	(161)	(138)
Valuation allowance	(715)	(715)	—	—
Accrued benefit liability, net	(695)	(397)	(161)	(138)

The average remaining service periods of active employees covered by the pension plans varies from 13.7 to 14.8 years.

b) The following information pertains to underfunded plans at year-end:

	Pension plans		Other plans	
	2002	2001	2002	2001
	\$	\$	\$	\$
Accrued benefit obligation	20,356	16,356	1,213	846
Fair value of plan assets	13,619	11,550	—	—
Funding deficit	(6,737)	(4,806)	(1,213)	(846)

c) The significant actuarial assumptions adopted in measuring the Company's expenses and accrued benefit obligations are as follows:

	Pension plans		Other plans	
	2002	2001	2002	2001
	%	%	%	%
Discount rate	6.3	6.5	6.3	6.5
Expected long-term rate of return on plan assets	7.0	7.4	—	—
Rate of compensation increase	4.3	4.7	4.3	3.5

d) The net expense recognized during the years is as follows:

	Pension plans		Other plans	
	2002	2001	2002	2001
	\$	\$	\$	\$
Net benefit plan expense				
Current service cost	1,644	1,596	25	24
Interest cost	3,552	3,344	53	53
Expected return on plan assets	(3,914)	(4,044)	—	—
Amortization of transitional obligation	(286)	(286)	51	51
Amortization of actuarial loss	—	—	3	3
Adjustment of the valuation on accrued benefit asset	—	44	—	—
	996	654	132	131

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(tabular amounts are in thousands of dollars, except per share data)

24. Segmented information

The Company has two business units organized by products. The Company assesses the performance of the business units based on the following items: sales, operating earnings before depreciation and amortization, financial expenses, share in results of affiliated companies and income taxes; and operating earnings before financial expenses, share in results of affiliated companies, income taxes and amortization of goodwill. Each business unit, except for the Head office segment, includes activities related to manufacturing, sales and distribution of paints and coatings. Management of cash and cash equivalents as well as other activities related to the corporate strategies with regard to manufacturing and market development are part of the Head office segment. The allocation of the expenses of this segment would not assist in the evaluation of the contribution of the other segments.

The accounting policies used to determine segmented results and measure segmented assets are the same as those described in the summary of significant accounting policies.

	Architectural	Industrial	Head office	Total
	\$	\$	\$	\$
2002				
Sales	214,999	41,955	—	256,954
Operating earnings before depreciation and amortization, financial expenses, share in results of affiliated companies and income taxes	36,055	3,129	(15,898)	23,286
Depreciation and amortization	3,266	812	1,133	5,211
Operating earnings before financial expenses, share in results of affiliated companies, income taxes and amortization of goodwill	32,789	2,317	(17,031)	18,075
Total assets	96,158	43,186	16,251	155,595
Acquisition of fixed assets	1,627	706	1,079	3,412
	Architectural	Industrial	Head office	Total
	\$	\$	\$	\$
2001				
Sales	184,583	39,764	—	224,347
Operating earnings before depreciation and amortization, financial expenses, share in results of affiliated companies and income taxes	29,435	4,120	(11,410) ⁽¹⁾	22,145 ⁽¹⁾
Depreciation and amortization	3,119	765	1,021 ⁽¹⁾	4,905 ⁽¹⁾
Operating earnings before financial expenses, share in results of affiliated companies, income taxes and amortization of goodwill	26,316	3,355	(12,431) ⁽¹⁾	17,240 ⁽¹⁾
Total assets	96,159 ⁽¹⁾	39,557	5,223	140,939 ⁽¹⁾
Acquisition of fixed assets	1,314	513	795	2,622

⁽¹⁾ restated

Notes to the consolidated financial statements

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(tabular amounts are in thousands of dollars, except per share data)

24. Segmented information (continued)

Geographic information

	Canada		Other countries		Total	
	Sales	Assets	Sales	Assets	Sales	Assets
	\$	\$	\$	\$	\$	\$
2002	236,403	120,976	20,551	34,619	256,954	155,595
2001	203,845	110,750 ⁽¹⁾	20,502	30,189	224,347	140,939 ⁽¹⁾

⁽¹⁾ restated

25. Subsequent event

Under the term of an underwriting agreement, the Company sold and the underwriters purchased 1,000,000 common shares at a price of \$20.40 per share on February 21, 2003. The net proceeds generated for the Company is \$18,928,000, net of the underwriters' fees and the estimated offering expenses.

26. Comparative figures

Certain comparative figures have been reclassified in order to conform to the presentation adopted in 2002.

DIRECTORS

Jean-Paul Lortie ^{(1) (3)}

Chairman of the Board
Sico Inc.

Pierre Brodeur ⁽¹⁾

President and Chief Executive Officer
Sico Inc.

Jean-Paul Barré ⁽²⁾

Vice-Chairman of the Board
Lassonde Industries Inc.

Normand Bastien, CA ⁽³⁾

Treasurer
159585 Canada Inc.

Pierre LaRue, c.r. ^{(1) (3)}

Counsel
Desjardins Ducharme Stein Monast

Anièle Lecoq

Management Consultant

Denise Lortie, CA ^{(1) (2)}

Vice-President
Gosselin-Lortie Group,
Sports Experts franchisee

Pierre Martin ⁽¹⁾

President and Chief Executive Officer
Alstom Canada Inc.

Yves Rheault ⁽²⁾

Management Consultant

- (1) Member of the Executive Committee
- (2) Member of the Audit Committee
- (3) Member of the Human Resources
and Corporate Governance Committee

OFFICERS

Jean-Paul Lortie ⁽¹⁾

Chairman of the Board

Pierre Brodeur ^{(1) (2)}

President and Chief Executive Officer

Pierre Dufresne, CA ⁽¹⁾

Executive Vice-President and Chief Operating Officer

Martine Bazinet ^{(1) (2)}

Secretary
Vice-President, Legal Affairs

Denis Blanchette ⁽¹⁾

Vice-President, Corporate Business Development
President, Sico-Becker S.A.S.

Claude Brosseau ⁽¹⁾

Vice-President, Sales and Marketing,
Architectural Sector

Yves Gosselin ⁽¹⁾

Vice-President and General Manager,
Industrial Sector and Operations

Marie Letellier ⁽¹⁾

Vice-President,
Human Resources

Jean Quellet, CA ^{(1) (2)}

Vice-President, Finance and Treasurer

Daniel Pellerin ⁽²⁾

President, Bétonel Ltée
(subsidiary of the Company)

- (1) Sico Inc.
- (2) Bétonel Ltée

CORPORATE INFORMATION FOR SHAREHOLDERS AND INVESTORS

Administration

2505 de la Métropole Street
Longueuil, Quebec
J4G 1E5
Telephone: (514) 527-5111
Fax: (450) 651-1257

Head office

3280 Sainte-Anne Boulevard
Beauport, Quebec
G1E 3K9

Corporate Web site

www.sico.com

Listing

The common shares of the Company are listed on
the Toronto Stock Exchange
under the ticker symbol SIC with a CUSIP number
82585G 10 5.

Transfer Agent and Registrar

General Trust of Canada
Montreal, Quebec

Auditors

Samson Bélair/Deloitte & Touche
Montreal, Quebec

Financial Communications

Lefebvre Financial Communications Inc.

Annual Information Form

Shareholders may consult the annual information
form on SEDAR or may obtain a copy by writing to
the General Counsel of Sico Inc.

Annual meeting of shareholders

May 15, 2003, 10 a.m.
Hotel Delta Centre-Ville
Régence Room
777 University Ave.
Montreal, Quebec

Ce rapport est également disponible en français.

